MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BAC4654 – E-AUDITING

(All sections / Groups)

26 MAY 2017
3.00 pm – 6.00 pm
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 3 pages excluding cover page with 4 Questions only.
2. Attempt **ALL FOUR** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

With all of the media coverage on the Sarbanes-Oxley Act, small-business owners might think that implementing an internal control is more expensive and troublesome than it is worth. While a small family business does not need a robust internal control than that to a large multinational company need, appropriate internal control can improve business processes and boost profitability. Understanding the standard components of an internal controls system can help a company to choose the extent of internal control that is correct for their business.

Required:

Explain the internal control aspect of accounting information systems. Your explanation should include the following:

a) Definition of internal control (5 marks)

b) The objective of internal control in AIS (10 marks)

c) The four (4) internal control classifications in AIS (10 marks)

(Total: 25 marks)

QUESTION 2 (25 MARKS)

A. The audit manager of Dynamic Accountants has completed the year-end audit. Both the audit manager and the Chief Financial Officer (CFO) of Bright Ideas were satisfied with the work that was completed in the previous sections. The CFO was especially pleased with the computer assisted audit techniques used on the engagement. The CFO is interested in resolving the issues of the billing process which was recently brought up by the sales manager. The details are as follows:

Bright IDEAS Inc. recently implemented a new billing system that connects to the existing inventory system. The sales managers are concerned about the billing process. Based on their analysis of the financial statements, there seems to be a discrepancy between the increase in inventory and sales revenue.

Continued...

Required:

The company has approached you for advice on tests that could be done using IDEA to address the issues. Your advice should reflect the following objectives:

a) Existence and validity

(5 marks)

b) Completeness

(5 marks)

B. Auditing through the computer and auditing around the computer are two phrases that are often misunderstood by many people. The increased reliance on computers and computer applications for business processes created the need for auditing to be done in a computerised environment. In fact, auditing is gradually becoming synonymous to IT auditing.

Required:

a) Explain the differences between auditing through the computer and auditing around the computer.

(5 marks)

b) List and explain any five (5) techniques that can be used during auditing through the computer.

(10 marks)
(Total: 25 marks)

QUESTION 3 (25 MARKS)

Grand Universal Trading Sdn Bhd manufactures facial tissues that support responsible forest management in Malaysia. The managing director, Mr. Rasyaad Aidan, an accountant, started the company which has been successful and has experienced steady growth. Reporting to Mr. Aidan are six senior directors representing to company's major functions – marketing, production, research and development, information services, finance and human resources. The information services department was just established during the past fiscal year, when Grand Universal began developing a new computer-based information system. The new database system employs a server connected to personal computers in each of the six departments. The personal computers can both download data from and upload data to the main computer. Grand Universal is still in the process of designing and developing new applications for its computer systems.

You have been appointed as the information system auditor for Grand Universal. Upon your review of the systems, you recommended that Grand Universal should form an information systems steering committee.

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Required:

a) Explain the reasons behind your recommendation to Grand Universal to establish an information systems steering committee.

(4 marks)

b) Discuss the specific responsibilities of this steering committee.

(6 marks)

c) In your opinion, what is information systems audit and what are the other possible types of audits available to be conducted on Grand Universal Trading Sdn. Bhd?

(15 marks)
(Total: 25 marks)

QUESTION 4 (25 MARKS)

An information technology audit, or information systems audit, is an examination of the management controls within an Information Technology (IT) infrastructure. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organization's goals or objectives. These reviews may be performed in conjunction with a financial statement audit, internal audit, or other form of attestation engagement.

With reference to the above statements, answer the following questions.

Required:

a) List and explain in detail the steps involved during an IT audit.

(8 marks)

b) What is the Computer Assisted Audit Technique (CAAT) audit documentations prepared during the audit process?

(9 marks)

c) List and explain the six (6) information systems audit objectives that need to be ascertained.

(8 marks)
(Total: 25 marks)

End of Paper